

**Department of Workforce Development  
Fiscal Monitoring Guide  
Allocated Costs**

TANF administration costs (including TANF eligibility costs) are subject to an administrative cap under contract section 26.9. This section's objective is to test the allocations to ensure that TANF administration costs are being properly recorded to the line code that monitors the cap. This section also tests the allocation of expenditures and the agencies allocation methodologies for compliance.

<b>Audit Procedure</b>	<b>Date and Initials</b>	<b>Workpaper Ref.</b>
1. Review the composition of the agency's cost pools per their cost allocation plan to ensure that costs are to be recorded to the appropriate cost pool and that all costs are allowable per the W-2 contract and federal guidelines (Title 2 CFR Subtitle A, Chapter II, Parts 225 (OMB Circular A-87) and 230 (OMB Circular A-122), contract section 23 and Administrator's Memo 04-33, Attachment 4.		
2. On a sample basis, test at least five transactions in each cost pool to determine if the costs recorded to each cost pool are in accordance with the agency's cost allocation plan.		
3. Document and review the allocation base for each cost pool to determine if the allocation base is reasonable for the type of costs recorded in the cost pool.		
4. If W-2 private agencies are using the total direct costs as an allocation base, review the base calculation. The calculation may only include the first \$25,000 of each subcontract and client benefits must be excluded per DWD policy and federal guidelines (Title 2 CFR Subtitle A, Chapter II, Part 230: OMB Circular A-122 and Administrator's Memo 04-33, Attachment 4).		
5. Test the allocation of the cost pool to determine if the allocation methodology is consistent with the agency's written cost plan. Each cost pool's allocation only needs to be reviewed once for the current year unless issues are noted.		
6. On a sample basis, verify that all costs (direct and allocated) recorded on CORE line code 2120 (TANF Administration) are allowable, reasonable, and necessary. Test at least five transactions within a month.		
7. Test at least five transactions recorded to TANF program line codes and verify that these expenditures are program costs, not administration costs which would otherwise be subject to the administration cap.		
8. Review the remainder of the agency's cost allocation plan and determine if the agency is following the plan for items not tested in other steps.		